Weekly Market Bulletin

State of New Hampshire
John H. Lynch
Governor

Department of Agriculture, Markets & Food
Stephen H. Taylor
Commissioner

Vol. 85 **Wednesday, December 13, 2006** **No. 41**

From Your Commissioner…

Surging Grain Prices Laid to Corn Situation

Anyone feeding dairy cattle, poultry or any other kind of livestock knows the story: prices for all categories of feed grain are moving up. Costs have jumped nearly 15 percent over the past couple of months, and prospects are for steady upward pressure at least through next summer.

Blame it all on the corn situation, says Ron Steffensmeier, vice president for ingredient purchasing at headquarters of Blue Seal Feeds in Londonderry.

“Corn is the driving factor behind all of it. There is concern about enough corn being planted next year to take care of the normal livestock feed demand plus all the new ethanol production that’s coming on line,” Steffensmeier says.

“Energy is what’s driving the whole grain market, pulling up alternative ingredients like wheat middlings and barley, and it looks like this is going to be with us for a while.”

The protein side of the livestock feed sector isn’t as turbulent, with adequate stocks of soy, canola, cottonseed and other protein ingredients available, he notes.

With huge quantities of U.S. corn going to ethanol plants already operating or under construction, there’ll be plenty of spent grain material coming out the other end of these facilities. This product is classified as “DDG”—dried distillers’ grains. DDG until now has been a premium commodity, but thanks to the ethanol craze it will be become a major component of animal feeds.

“DDG will help us up to a point, especially in dairy formulations,” Steffensmeier says, “but corn will remain the important ingredient it’s always been.”

The strengthening of the Canadian dollar in recent months has cut the volume of Blue Seal’s ingredient purchases from north of the border. The company’s Bow mill now draws its supplies solely from the Midwest, while its mill in Richford, VT, that services northern New Hampshire farm customers receives only a small portion from neighboring Canada.

Ingredients are shipped in via both rail and truck, rail being less expensive, but truck far more flexible and reliable for timely delivery, Steffensmeier says.

* * * * * *

A new USDA Economic Research Service report says U.S. demand for dairy products is growing about two percent per year, primarily because of consumption of higher value-added products, rather than volume increases. This pattern holds true in most of the high-income countries of the world.

But in many low-income nations dairy consumption is growing at the rate of 10 percent a year, or in the case of China, by 15 percent annually.

The ERS report says a sign of the worldwide dairy industry's vibrancy is the volume of new dairy product launches, which doubled in the period 2000-2004 compared to the previous five years.

* * * * * *

New England has lost 23 percent of its commercial orchard acreage since 1996, thanks to development pressures, diversification into other agricultural activities and negative returns.

But Russell Powell, executive director of the New England Apple Association, sees the region recovering from "the global oversupply of apples from such places as Washington State and China and a series of poor harvests in the 1990s."

"Our distinctive varieties produce unmatched flavors, texture and color. Growers who have thrived have blended the best of our New England tradition with the introduction of new varieties and growing methods, and their future is strong."

New Hampshire's apple harvest this year is expected to come in at around 623,000 boxes, 25 percent better than last year and close to the state's five-year average production.

Steve Taylor, Commissioner